

# CHIA Standard Statistics: Average Cost of Commercial Coverage



Time Period/Data Year(s): CY2012 – CY2014

Governing Legislation: M.G.L. c. 12C, section 10; Regulation 114.5 CMR 21.00 [new regulation pending]

<b>Description</b>	<p>CHIA's Cost of Coverage statistic is the annual cost to employers and/or members of providing or procuring primary medical health insurance coverage in Massachusetts. The cost of fully-insured (FI) coverage is measured by the annual premium an employer or direct purchaser pays to a private commercial payer to assume the risk of eligible employees' and employee-dependents' medical expenses. The cost of self-insured (SI) coverage is measured by the annual premium-equivalent, which is the sum of two components: the amount an employer pays annually for the medical costs of its employees and employee-dependents; and the amount an employer agrees to pay a payer or third party administrator to design its plans, administer its claims, and/or utilize its network of negotiated provider rates.</p> <p>While both premiums and premium-equivalents represent the total annual cost to employers of providing health care coverage to their employees, they are not directly comparable. Premiums are set prospectively by payers, based on expected health care claims; this includes the cost to the insurer ("risk premium") of carrying the medical expense liability associated with a given population. Premium-equivalents, by contrast, are based on actual claims paid directly by employers.</p>
<b>Frequency</b>	The Annual Premiums Data Request is issued each February, with data submissions requested by mid-/late-May.
<b>Statutory Definition</b>	CHIA is directed to report on "changes over time in health insurance premium levels."
<b>Data Submitters</b>	Top 10 private commercial payers in the Massachusetts health insurance market.
<b>Data Included</b>	<p>Payers submit aggregate data for their primary, medical, and commercial Massachusetts contract-membership for the previous three calendar years. Submitted data falls into two categories: membership and financial, as outlined below.</p> <p><b>Membership:</b> Contract-member months by funding type (fully-/self-insured), market sector (employer size), product type (HMO/PPO), benefit design (High Deductible Health Plan (HDHP)/Tiered Networks), and demographics (age, gender, and region).</p> <p><b>Financial:</b> Premiums (incl. Premiums Net of Medical Loss Ratio (MLR) Rebates), Allowed Claims, Incurred Claims, "3R" Amounts, and Administrative Service Fees (Self-Insured only) by all membership breakouts.</p> <p>Combined, submitted membership and financial data allow CHIA to calculate Massachusetts' cost of coverage, including unadjusted and adjusted* premiums and premium-equivalents.</p>

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	*Adjusted for benefit levels and various rating factors.
<b>Quality Assurance Process</b>	<p>Data submitted as part of the Annual Premiums Data Request undergoes a two-stage quality assurance and verification process:</p> <ol style="list-style-type: none"> <li>1. Internal &amp; External Validity Checks: Along with CHIA's actuary, CHIA runs internal and external validity checks on all payer-submitted data. Internal validity checks are run on payer-submitted data for point-in-time and trend consistency and reasonableness. External checks are also run, comparing payer-submitted data against other payer-submitted state and federal reports, including the Supplemental Health Care Exhibit, the Massachusetts Annual Comprehensive Financial Statement, and the CCIO Medical Loss Ratio Reporting Form. Where discrepancies are found and confirmed, CHIA requests revised data submissions from payers.</li> <li>2. PMPM Validation: After a payer's submission passes CHIA's internal and external validity checks, CHIA asks payers for final verification of key "per member per month" (PMPM) figures prior to reporting.</li> </ol>
<b>Reports</b>	<p>Cost of coverage data are profiled in CHIA's:</p> <ul style="list-style-type: none"> <li>• <a href="#">Annual Report on the Performance of the Massachusetts Health Care System</a> (Released each August/September)</li> <li>• <a href="#">Performance of the Massachusetts Health Care System Briefing Series</a> (Released each Fall/Winter)</li> </ul> <p>Reports include databooks, chartpacks, and technical appendices.</p>
<b>Data Notes</b>	<p>Important notes about data received from the Annual Premiums Data Request:</p> <ul style="list-style-type: none"> <li>• Massachusetts contract-membership includes non-Massachusetts residents.</li> <li>• Adjusted premiums and premium-equivalents account for membership differences in age, gender, area, group size, and plan benefits. For the 2015 analysis (CY2012-14 data) CHIA revised the methodology for calculating adjusted premiums; trends remained consistent with prior methodology.</li> <li>• Starting with the 2015 analysis (CY2012-14 data), both premiums and premium-equivalents were scaled to account for the "percent of benefits not carved out" (e.g. pharmacy or behavioral health). Previous reported data were not scaled.</li> </ul> <p>Each year's premium submissions include slight methodological refinements and the addition of several payers. See relevant technical notes.</p>
<b>How to Obtain Data</b>	<p>Most aggregate data from the Annual Premiums Data Request are published each year in databooks on CHIA's <a href="#">website</a> concurrently with the reports noted above.</p>
<b>Related CHIA Measures</b>	<p><a href="#">Massachusetts Employer Survey</a>: Average annual Massachusetts individual and family health insurance premiums and premium contributions; limited fully- vs. self-insured breakouts.</p>
<b>Questions?</b>	<p>Questions may be directed to Kevin McAvey, Manager of Analytics, at <a href="mailto:Kevin.McAvey@state.ma.us">Kevin.McAvey@state.ma.us</a>, or Kevin Meives, Senior Health System Policy Analyst, at <a href="mailto:Kevin.Meives@state.ma.us">Kevin.Meives@state.ma.us</a>.</p>